

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Port Austin	County Huron
Audit Date 2/29/04	Opinion Date 8/25/04	Date Accountant Report Submitted to State: 8/30/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Brining & Nartker, P.C.			
Street Address 64 Westland Drive	City Bad Axe	State MI	ZIP 48413
Accountant Signature <i>Brining & Nartker, P.C. by: Douglas P. Brining CPA</i>		Date 8/30/04	

**VILLAGE OF PORT AUSTIN
PORT AUSTIN, MICHIGAN**

**FINANCIAL REPORT
FEBRUARY 29, 2004**

VILLAGE OF PORT AUSTIN, MICHIGAN

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BRINING & NARTKER, P.C.

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INDEPENDENT AUDITORS' REPORT

To the Village Council
Village of Port Austin, Michigan

We have audited the accompanying general purpose financial statements of the Village of Port Austin, Michigan, as of and for the year ended February 29, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Village of Port Austin, Michigan's, management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Village of Port Austin, Michigan, as of February 29, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Village of Port Austin, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Brining & Nartker, P.C.
BRINING & NARTKER, P.C.
Certified Public Accountants

August 25, 2004

GENERAL PURPOSE FINANCIAL STATEMENTS

**VILLAGE OF PORT AUSTIN, MICHIGAN
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
FEBRUARY 29, 2004**

	GOVERNMENTAL FUND TYPES			ACCOUNT GROUPS		TOTALS (MEMORANDUM ONLY) PRIMARY GOVERNMENT	VILLAGE OF PORT AUSTIN DOWNTOWN DEVELOPMENT AUTHORITY	TOTALS (MEMORANDUM ONLY) REPORTING ENTITY
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>GENERAL FIXED ASSETS</u>	<u>GENERAL LONG- TERM DEBT</u>			
<u>ASSETS</u>								
Cash (Note 3)	\$ 229,629	\$ 268,709	\$ -	\$ -	\$ -	\$ 498,338	\$ 37,733	\$ 536,071
Due from other funds (Note 5)	9,230	-	-	-	-	9,230	-	9,230
Due from other government units	1,000	-	-	-	-	1,000	-	1,000
Prepaid expenditures	7,753	-	-	-	-	7,753	-	7,753
Property, plant and equipment: (Note 4)								
Land	-	-	-	995,773	-	995,773	-	995,773
Buildings	-	-	-	495,532	-	495,532	-	495,532
Equipment	-	-	-	559,054	-	559,054	-	559,054
Amount to be provided for retirement of general long-term debt	-	-	-	-	328,156	328,156	-	328,156
TOTAL ASSETS	<u>\$ 247,612</u>	<u>\$ 268,709</u>	<u>\$ -</u>	<u>\$ 2,050,359</u>	<u>\$ 328,156</u>	<u>\$ 2,894,836</u>	<u>\$ 37,733</u>	<u>\$ 2,932,569</u>
<u>LIABILITIES AND FUND EQUITY</u>								
<u>LIABILITIES:</u>								
Accounts payable	\$ 20,744	\$ -	\$ -	\$ -	\$ -	\$ 20,744	\$ 12,922	\$ 33,666
Accrued payroll taxes	573	-	-	-	-	573	-	573
Accrued pension	410	-	-	-	-	410	-	410
Due to other funds (Note 5)	-	9,230	-	-	-	9,230	-	9,230
Due to P.A.A.S.W.A.	5,170	-	-	-	-	5,170	-	5,170
Notes payable (Note 6)	-	-	-	-	328,156	328,156	-	328,156
TOTAL LIABILITIES	<u>26,897</u>	<u>9,230</u>	<u>-</u>	<u>-</u>	<u>328,156</u>	<u>364,283</u>	<u>12,922</u>	<u>377,205</u>
<u>FUND EQUITY:</u>								
Investment in general fixed assets	-	-	-	2,050,359	-	2,050,359	-	2,050,359
Fund balance - unreserved	220,715	259,479	-	-	-	480,194	24,811	505,005
TOTAL FUND EQUITY	<u>220,715</u>	<u>259,479</u>	<u>-</u>	<u>2,050,359</u>	<u>-</u>	<u>2,530,553</u>	<u>24,811</u>	<u>2,555,364</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 247,612</u>	<u>\$ 268,709</u>	<u>\$ -</u>	<u>\$ 2,050,359</u>	<u>\$ 328,156</u>	<u>\$ 2,894,836</u>	<u>\$ 37,733</u>	<u>\$ 2,932,569</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF PORT AUSTIN, MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED FEBRUARY 29, 2004

	GOVERNMENTAL FUND TYPES			TOTALS (MEMORANDUM ONLY) PRIMARY GOVERNMENT	VILLAGE OF PORT AUSTIN DOWNTOWN DEVELOPMENT AUTHORITY	TOTALS (MEMORANDUM ONLY) REPORTING ENTITY
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>			
REVENUES:						
Taxes	\$ 243,872	\$ 80,658	\$ -	\$ 324,530	\$ 91,668	\$ 416,198
Intergovernmental revenue	69,597	62,201	-	131,798	-	131,798
Michigan Community Development Block Grant	-	-	-	-	300,350	300,350
Other	139,858	3,388	-	143,246	5,650	148,896
TOTAL REVENUES	<u>453,327</u>	<u>146,247</u>	<u>-</u>	<u>599,574</u>	<u>397,668</u>	<u>997,242</u>
EXPENDITURES:						
Legislative	12,430	-	-	12,430	-	12,430
General government	79,687	-	-	79,687	-	79,687
Public buildings and grounds	70,951	-	-	70,951	-	70,951
Public safety	68,198	-	-	68,198	-	68,198
Public works	72,904	60,559	-	133,463	-	133,463
Recreation	40,295	-	-	40,295	-	40,295
Streetscape project:						
Block Grant expenditures	-	-	-	-	300,350	300,350
Act 51 expenditures	-	-	-	-	300,000	300,000
Other expenditures	-	-	-	-	360,102	360,102
Playscape project	-	-	-	-	37,330	37,330
Other	40,880	-	-	40,880	16,354	57,234
Equipment	18,907	-	-	18,907	-	18,907
Debt service - principal	-	-	36,154	36,154	-	36,154
Interest and fees	-	-	7,073	7,073	-	7,073
TOTAL EXPENDITURES	<u>404,252</u>	<u>60,559</u>	<u>43,227</u>	<u>508,038</u>	<u>1,014,136</u>	<u>1,522,174</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>49,075</u>	<u>85,688</u>	<u>(43,227)</u>	<u>91,536</u>	<u>(616,468)</u>	<u>(524,932)</u>
OTHER FINANCING SOURCES (USES):						
Operating transfers in	11,654	160,102	43,227	214,983	300,000	514,983
Operating transfers out	(7,352)	(460,102)	-	(467,454)	(47,529)	(514,983)
TOTAL OTHER FINANCING SOURCES (USES)	<u>4,302</u>	<u>(300,000)</u>	<u>43,227</u>	<u>(252,471)</u>	<u>252,471</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>53,377</u>	<u>(214,312)</u>	<u>-</u>	<u>(160,935)</u>	<u>(363,997)</u>	<u>(524,932)</u>
FUND BALANCE - MARCH 1	167,338	473,791	-	641,129	388,808	1,029,937
FUND BALANCE - FEBRUARY 29	<u>\$ 220,715</u>	<u>\$ 259,479</u>	<u>\$ -</u>	<u>\$ 480,194</u>	<u>\$ 24,811</u>	<u>\$ 505,005</u>

The accompany notes are an integral part of the financial statements.

VILLAGE OF PORT AUSTIN, MICHIGAN
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL, SPECIAL REVENUE AND DEBT SERVICE FUNDS
FOR THE YEAR ENDED FEBRUARY 29, 2004

	GENERAL FUND			SPECIAL REVENUE FUNDS			DEBT SERVICE FUND			TOTALS (MEMORANDUM ONLY)		
	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES:												
Taxes	\$ 243,953	\$ 243,872	\$ (81)	\$ 80,450	\$ 80,658	\$ 208	\$ -	\$ -	\$ -	\$ 324,403	\$ 324,530	\$ 127
Intergovernmental revenue	69,580	69,597	17	60,600	62,201	1,601	-	-	-	130,180	131,798	1,618
Other	131,050	139,858	8,808	3,500	3,388	(112)	-	-	-	134,550	143,246	8,696
TOTAL REVENUES	<u>444,583</u>	<u>453,327</u>	<u>8,744</u>	<u>144,550</u>	<u>146,247</u>	<u>1,697</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>589,133</u>	<u>599,574</u>	<u>10,441</u>
EXPENDITURES:												
Legislative	12,430	12,430	-	-	-	-	-	-	-	12,430	12,430	-
General government	79,035	79,687	(652)	-	-	-	-	-	-	79,035	79,687	(652)
Public buildings and grounds	75,030	70,951	4,079	-	-	-	-	-	-	75,030	70,951	4,079
Public safety	73,742	68,198	5,544	-	-	-	-	-	-	73,742	68,198	5,544
Public works	73,500	72,904	596	63,180	60,559	2,621	-	-	-	136,680	133,463	3,217
Recreation	41,250	40,295	955	-	-	-	-	-	-	41,250	40,295	955
Other	42,000	40,880	1,120	-	-	-	-	-	-	42,000	40,880	1,120
Equipment	18,810	18,907	(97)	-	-	-	-	-	-	18,810	18,907	(97)
Debt service - principal	-	-	-	-	-	-	-	36,154	(36,154)	-	36,154	(36,154)
Interest and fees	-	-	-	-	-	-	-	7,073	(7,073)	-	7,073	(7,073)
TOTAL EXPENDITURES	<u>415,797</u>	<u>404,252</u>	<u>11,545</u>	<u>63,180</u>	<u>60,559</u>	<u>2,621</u>	<u>-</u>	<u>43,227</u>	<u>(43,227)</u>	<u>478,977</u>	<u>508,038</u>	<u>(29,061)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>28,786</u>	<u>49,075</u>	<u>20,289</u>	<u>81,370</u>	<u>85,688</u>	<u>4,318</u>	<u>-</u>	<u>(43,227)</u>	<u>(43,227)</u>	<u>110,156</u>	<u>91,536</u>	<u>(18,620)</u>
OTHER FINANCING SOURCES (USES)												
Operating transfers in	11,000	11,654	654	160,000	160,102	102	-	43,227	43,227	171,000	214,983	43,983
Operating transfers out	(7,400)	(7,352)	48	(460,000)	(460,102)	(102)	-	-	-	(467,400)	(467,454)	(54)
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,600</u>	<u>4,302</u>	<u>702</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>	<u>-</u>	<u>43,227</u>	<u>43,227</u>	<u>(296,400)</u>	<u>(252,471)</u>	<u>43,929</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>32,386</u>	<u>53,377</u>	<u>20,991</u>	<u>(218,630)</u>	<u>(214,312)</u>	<u>4,318</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(186,244)</u>	<u>(160,935)</u>	<u>25,309</u>
FUND BALANCE - MARCH 1	167,338	167,338	-	473,791	473,791	-	-	-	-	641,129	641,129	-
FUND BALANCE - FEBRUARY 29	<u>\$ 199,724</u>	<u>\$ 220,715</u>	<u>\$ 20,991</u>	<u>\$ 255,161</u>	<u>\$ 259,479</u>	<u>\$ 4,318</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 454,885</u>	<u>\$ 480,194</u>	<u>\$ 25,309</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF PORT AUSTIN, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. DESCRIPTION OF VILLAGE OPERATIONS AND BASIS OF PRESENTATION

The Village is located in Huron County, Michigan and operates under a seven member elected Council. The Village provides services to the residents as authorized by its charter. These services include public safety (police), highways and streets, parks and recreation, public improvements, planning and zoning, and general administration services.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 14, the Village of Port Austin is considered to be a primary government for financial reporting purposes. The criteria established by GASB for determining the various governmental organizations to be included in the financial reporting entity's statements are discussed in the following paragraphs.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The Village is responsible for appointing two members to the Port Austin Area Sewer and Water Authority, but the Village's accountability for this organization does not extend beyond making the appointments. The Village does not have a voting majority on the Port Austin Area Sewer and Water Authority and the Authority does not impose specific financial burden upon or provide specific financial benefits to the Village. Therefore, the Port Austin Area Sewer and Water Authority is not presented as a component unit of the Village and the Village does not have an equity interest in the Authority.

The Village formed a Downtown Development Authority on January 25, 1999. The purpose of the D.D.A. is to develop, finance and maintain property located in a designated downtown area. Captured tax increases have been recorded in the D.D.A. which is reported as a discretely presented component unit.

As is discussed in Note 9, the Village entered into a water supply system management contract with the Port Austin Area Sewer and Water Authority, effective March 1, 1997, giving them management responsibility for 40 years. The Water Systems Enterprise Fund has been reported upon in the Port Austin Area Sewer and Water Authority.

B. FUND ACCOUNTING

The accounts of the Village are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund or account group are summarized by providing a separate set of self-balancing accounts which include its assets, liabilities, fund equity, revenues and expenditures. The following funds and account groups are used by the Village:

GOVERNMENTAL FUND TYPES:

General Fund - The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

(Continued)

**VILLAGE OF PORT AUSTIN, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

FIDUCIARY FUND TYPE:

Agency Funds – Agency Funds are used to account for assets held by the Village as an agent for other funds and/or other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ACCOUNT GROUPS:

General Fixed Assets Account Group - This account group is used to account for fixed assets purchased by and used in governmental fund type operations. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date of donation. No depreciation is recorded on general fixed assets.

General Long-Term Debt Account Group - The General Long-Term Debt Account Group is used to account for long-term liabilities to be financed from governmental funds.

C. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Village considers property taxes as available if they are collected within 60 days after year-end. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred.

Those revenues susceptible to accrual are property taxes, licenses, interest revenue and charges for services. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

D. PROPERTY TAXES

Properties are assessed as of June 30, and the related property taxes become a lien on June 1, of the following year. These taxes are due on September 14 with the final collection date of September 14. After this date, they are added to the County tax rolls.

The delinquent real property taxes of the Village are purchased by the County of Huron. The County sells tax notes, the proceeds of which are used to pay the Village for these property taxes. These taxes have been recorded as revenue for the current year.

E. ACCOUNTING ESTIMATES

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

(Continued)

**VILLAGE OF PORT AUSTIN, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(CONTINUED)**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

F. BUDGETS

Budgets, and all amendments thereto, for the Governmental Fund Types are adopted to the line item level on a basis consistent with generally accepted accounting principles. The budgeted amounts shown in budget to actual comparisons are the final amended budgets. All annual appropriations lapse at year end. The Village does not utilize encumbrance accounting.

G. "TOTALS - (MEMORANDUM ONLY)"

The "Memorandum Only" total column represents the aggregate total of the various columnar statements by fund type and account group. This total column is not comparable to a consolidation and, therefore, does not present consolidated information.

NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS:

P.A. 621 of 1978, section 16(6), as amended, provides that a local unit shall not adopt a budget which causes estimated total expenditures, including an accrued deficit, to exceed total estimated revenues, including an available surplus.

P.A. 621 of 1978, section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the combined financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the Village for these budgetary funds were adopted to the functional level.

During the year ended February 29, 2004, the Village incurred expenditures in excess of the amounts appropriated in the budgetary funds, as follows:

<u>FUND</u>	<u>AMOUNT APPROPRIATED</u>	<u>AMOUNT OF EXPENDITURES</u>	<u>BUDGET VARIANCE</u>
GENERAL FUND:			
General government	\$ 79,035	\$ 79,687	\$ 652
Equipment	\$ 18,810	\$ 18,907	\$ 97
MAJOR STREET AND TRUNKLINE FUND:			
Trunkline snow and ice control	\$ 5,175	\$ 5,615	\$ 440
Operating transfers out	\$ 310,000	\$ 310,102	\$ 102
LOCAL STREET FUND:			
Snow and ice control	\$ 14,525	\$ 15,698	\$ 1,173
DEBT SERVICE FUNDS:			
Debt service - principal	\$ -	\$ 36,154	\$ 36,154
Debt service - interest	\$ -	\$ 7,073	\$ 7,073

**VILLAGE OF PORT AUSTIN, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(CONTINUED)**

NOTE 3 – CASH AND TEMPORARY INVESTMENTS:

In accordance with Michigan Compiled Laws, the Village of Port Austin is authorized to invest in obligations of the U.S. Treasury and U.S. agencies, certificates of deposit, savings accounts, deposit accounts or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC); commercial paper rated in the three highest classifications of two rating services; United States government or federal agency obligation repurchase agreements, and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

As of February 29, 2004, the carrying amount of cash was \$536,071, which consists of deposits in savings accounts, deposit accounts and checking accounts, and is insured for \$163,348 by the FDIC. The carrying amount of cash includes \$7 for imprest cash. The bank balance at February 29, 2004 was \$538,408.

NOTE 4 – CHANGES IN GENERAL FIXED ASSETS:

The following is a summary of the changes in general fixed assets:

	BALANCE MARCH 1, <u>2003</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	BALANCE FEBRUARY 29, <u>2004</u>
GENERAL GOVERNMENT:				
Village Hall	\$ 185,012	\$ 779	\$ -	\$ 185,791
Civic Center	25,225	-	-	25,225
Old Library	1,000	-	-	1,000
PUBLIC SAFETY:				
Fire/D.P.W. Hall	87,929	-	-	87,929
Police Department	80,764	-	-	80,764
DEPARTMENT OF PUBLIC WORKS	254,856	-	-	254,856
RECREATION	69,598	654	-	70,252
EQUIPMENT	4,329	8,119	-	12,448
LOCAL STREET DRAINAGE	60,435	-	-	60,435
JOINT VENTURE - PORT AUSTIN				
FIRE DEPARTMENT	166,577	-	-	166,577
GYMNASIUM - DDA	75,200	-	-	75,200
DDA:				
Ballpark irrigation	9,815	-	-	9,815
Equipment	1,500	-	-	1,500
Playscape	35	37,330	-	37,365
Streetscape	10,950	960,452	-	971,402
Tennis court resurfacing	-	9,800	-	9,800
TOTAL GENERAL FIXED ASSETS	<u>\$ 1,033,225</u>	<u>\$ 1,017,134</u>	<u>\$ -</u>	<u>\$ 2,050,359</u>

**VILLAGE OF PORT AUSTIN, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(CONTINUED)**

NOTE 5 – INTERFUND RECEIVABLE AND PAYABLE BALANCES:

Interfund receivable and payable balances as of February 29, 2004 are as follows:

	<u>INTERFUND RECEIVABLES</u>	<u>INTERFUND PAYABLES</u>
GENERAL FUND:		
Major Street and Trunkline Fund	\$ 3,905	\$ -
Local Street Fund	5,325	-
SPECIAL REVENUE FUNDS:		
Major Street and Trunkline Fund	-	3,905
Local Street Fund	-	5,325
	<u>\$ 9,230</u>	<u>\$ 9,230</u>

NOTE 6 – LONG-TERM DEBT:

Notes payable at February 29, 2004 are comprised of the following:

GENERAL FUND:

5.5% - Ford Motor Credit Company for 2002 Ford Crown Victoria police car payable in annual installments of \$7,352 starting May 24, 2002 with a final payment of \$7,353 on May 24, 2004.

Original balance	\$ 20,915
Payments	(13,950)
Balance due at February 29, 2004	<u>6,965</u>

DOWNTOWN DEVELOPMENT AUTHORITY:

5% - Port Austin State Bank for gymnasium purchase, payable in annual installments of \$9,241 starting November 30, 2001 with a balloon payment of \$44,426 on November 30, 2005.

Original balance	64,900
Payments	(15,802)
Balance due at February 29, 2004	<u>49,098</u>

4% - Port Austin State Bank for streetscape project, payable in monthly installments of \$2,219 starting January 13, 2003 with a balloon payment of \$209,180 due on December 13, 2007.

Original balance	300,000
Payments	(27,907)
Balance due at February 29, 2004	<u>272,093</u>

TOTAL LONG-TERM DEBT OUTSTANDING

\$ 328,156

The following is a summary of debt transactions for the Village of Port Austin for the year ended February 29, 2004:

Debt payable at March 1, 2003	\$ 364,298
Debt incurred	-
Debt retired	(36,142)
Debt payable at February 29, 2004	<u>\$ 328,156</u>

(Continued)

**VILLAGE OF PORT AUSTIN, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(CONTINUED)**

NOTE 6 – LONG-TERM DEBT: (Continued)

The annual debt service requirements to maturity as of February 29, 2004 are as follows:

<u>YEAR ENDING FEBRUARY 28,</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2005	\$ 29,794	\$ 13,435	\$ 43,229
2006	59,006	12,054	71,060
2007	17,376	9,258	26,634
2008	221,980	7,175	229,155
	<u>\$ 328,156</u>	<u>\$ 41,922</u>	<u>\$ 370,078</u>

NOTE 7 – DEFINED BENEFIT PENSION PLAN:

The Village's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The plan is a participant in the Municipal Employees Retirement System of Michigan (MERS), which is an agent multiple-employer, state-wide, public employee pension plan that was created under Public Act 135 of 1945, and now operates under Public Act 220 of 1996, and the MERS Plan Document as revised. Pursuant to Act 220, on August 15, 1996, MERS became an independent public non-profit corporation which is an instrumentality of the participating municipalities and courts. MERS was established to provide retirement, survivor and disability benefits on a voluntary basis to the State of Michigan's local government employees. It provides centralized administration and investment of plan assets, but each employer unit is separately experience rated. MERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to MERS, 447 N. Canal Road, Lansing, MI 48917 or by calling 1-800-767-6377.

Funding Policy

Employees are required to contribute 4% of their annual earnings to the System. The Village is required to contribute amounts necessary to fund the System using sound actuarial methods; the rate for 2003 was 0.00%.

Annual Pension Cost

For the year ended February 29, 2004, the Village's annual pension cost of \$3,403 was equal to their required and actual contributions. The required contribution was determined as part of the December 31, 2001 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) an investment yield rate of 8%, and (b) projected salary increases of 4.5% per year. The Village's unfunded actuarial accrued liability is being amortized as a level percentage of payroll on an open basis.

Trend Information

<u>YEAR ENDING</u>	<u>ANNUAL REQUIRED CONTRIBUTION (ARC)</u>	<u>PERCENTAGE OF ARC CONTRIBUTED</u>	<u>NET PENSION OBLIGATION</u>
2/28/2001	\$ -	100%	\$ -
2/28/2002	\$ -	100%	\$ -
2/28/2003	\$ -	100%	\$ -

**VILLAGE OF PORT AUSTIN, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED FEBRUARY 29, 2004
(CONTINUED)**

NOTE 8 – CONTINGENT LIABILITIES:

Contingent Liability – Unemployment and Compensated Absences

The Village has elected to be treated as a reimbursing employer for unemployment compensation purposes. Any unemployment benefits paid to Village employees by the Michigan unemployment fund must be reimbursed by the Village on a dollar for dollar basis. The contingent liability for unemployment benefits is not recognized in the accompanying financial statements. The expense is recognized at the time the Village becomes liable to the State of Michigan for unemployment benefits paid. For the year ended February 29, 2004, \$3,092 was paid in unemployment benefits. A contingent liability for accumulated sick pay has not been incorporated into the financial statements. The dollar value of these amounted to \$9,554 at February 29, 2004. Vacation and personal leave hours do not accumulate, as they must be used by February 29.

NOTE 9 - WATER SUPPLY SYSTEM MANAGEMENT CONTRACT:

Effective March 1, 1997 the Port Austin Area Sewer and Water Authority entered into a water supply system management contract with the Village of Port Austin and the Township of Port Austin. Major elements of the agreement are as follows:

- The Authority will manage, operate, maintain and administer the water system for the Village and the Township and will comply with all requirements of the Rural Economic and Community Development Agency of the Department of Agriculture of the United States relative to outstanding Village bonds.
- Rates charged to customers will be recommended by the Authority and adopted by ordinance in each local unit.
- The Authority will prepare the annual budget.
- The Authority will prepare an annual report of its management of the water system and have an annual audited financial report.
- The local units will hold legal title to the system for assets transferred at the onset of the agreement.
- The term of the agreement is 40 years.

NOTE 10 - JOINT VENTURE:

Pursuant to an intergovernmental agreement dated May 14, 1990 between the Village and Port Austin Township, fire protection service is provided by the Port Austin Fire Department. The Township levies millage to fund operations of the Fire Department. In the event that the Fire Department is dissolved, a minimum of 50% of the assets and equipment will be returned to the Village. Separate financial statements for the joint venture are available from the Port Austin Fire Department. As of March 31, 2003, the total fund balance was \$583,917; therefore, the Village's equity was \$291,959.

NOTE 11 - RISK MANAGEMENT:

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, and natural disasters. The Village participates in the Michigan Municipal Liability and Property Pool for claims related to property loss, natural disasters, general liability, errors and omissions and auto liability.

SUPPLEMENTAL INFORMATION

**VILLAGE OF PORT AUSTIN, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Taxes:			
Current property taxes	\$ 243,800	\$ 243,634	\$ (166)
Mobile home taxes	153	238	85
Total Taxes	<u>243,953</u>	<u>243,872</u>	<u>(81)</u>
Intergovernmental revenue:			
State revenue sharing:			
Sales and use tax	67,580	67,582	2
Liquor license	2,000	2,015	15
Total intergovernmental revenue	<u>69,580</u>	<u>69,597</u>	<u>17</u>
Other:			
Charges for services:			
Equipment rental	50,650	53,495	2,845
Trash collection	48,000	49,379	1,379
Total charges for services	<u>98,650</u>	<u>102,874</u>	<u>4,224</u>
Interest and rentals:			
Interest	1,700	1,785	85
Civic Center and boat dock rental	4,800	4,816	16
Total interest and rentals	<u>6,500</u>	<u>6,601</u>	<u>101</u>
Miscellaneous:			
Fish station	2,000	1,939	(61)
Water connection rebates	-	3,730	3,730
Police reimbursement	12,350	12,337	(13)
Miscellaneous	4,000	4,539	539
Fines	1,100	1,138	38
Zoning applications	4,700	5,000	300
Computer services	1,750	1,700	(50)
Total miscellaneous	<u>25,900</u>	<u>30,383</u>	<u>4,483</u>
Total other	<u>131,050</u>	<u>139,858</u>	<u>8,808</u>
TOTAL REVENUES	<u>444,583</u>	<u>453,327</u>	<u>8,744</u>

(Continued)

**VILLAGE OF PORT AUSTIN, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2004
(CONTINUED)**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES:			
Legislative:			
Board fees	\$ 12,430	\$ 12,430	\$ -
General government:			
Elections	500	276	224
Salaries - clerical	37,000	37,470	(470)
Office supplies and expense	6,500	5,737	763
Professional fees	14,650	10,450	4,200
Master plan	8,500	15,203	(6,703)
Mileage and training	60	60	-
Printing and publishing	1,050	908	142
Dues and subscriptions	900	892	8
Clerk	1,040	1,040	-
Treasurer	3,390	3,390	-
Building and zoning office expense	250	250	-
Ambulance subsidy	1,850	1,843	7
Special events and decorations	1,345	1,345	-
Other	2,000	823	1,177
Total general government	<u>79,035</u>	<u>79,687</u>	<u>(652)</u>
Public buildings and grounds:			
Salaries	36,000	31,911	4,089
Telephone	1,650	1,612	38
Fire hydrant rental	5,500	8,900	(3,400)
Heat, lights and water	18,000	16,604	1,396
Repairs and maintenance	2,000	1,408	592
Materials and supplies	2,200	1,757	443
Fish cleaning station	680	731	(51)
Equipment rental	8,000	7,166	834
Miscellaneous	1,000	862	138
Total public buildings and grounds	<u>75,030</u>	<u>70,951</u>	<u>4,079</u>
Public safety:			
Salaries	56,500	56,586	(86)
Gasoline and oil	2,000	1,869	131
Materials and supplies	4,400	4,173	227
Office supplies	1,800	936	864
Telephone	800	763	37
Unemployment reimbursement	8,242	3,092	5,150
Capital outlay	-	779	(779)
Total public safety	<u>73,742</u>	<u>68,198</u>	<u>5,544</u>

(Continued)

VILLAGE OF PORT AUSTIN, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2004
(Continued)

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE - FAVORABLE (UNFAVORABLE)</u>
EXPENDITURES: (Continued)			
Public works:			
Salaries	\$ 12,400	\$ 13,062	\$ (662)
Street lighting	27,000	25,798	1,202
Materials and supplies	400	290	110
Trash pickup	30,000	30,129	(129)
Drain assessments	3,700	3,625	75
Total public works	<u>73,500</u>	<u>72,904</u>	<u>596</u>
Recreation:			
Salaries and wages	15,200	15,196	4
Equipment rental	19,000	18,609	391
Repairs and maintenance	1,000	956	44
Heat, lights and water	2,800	2,331	469
Materials and supplies	2,700	2,678	22
Little league supplies and fees	500	500	-
Miscellaneous	50	25	25
Total recreation	<u>41,250</u>	<u>40,295</u>	<u>955</u>
Other:			
Insurance and bonds	10,500	9,987	513
Employee benefits	31,500	30,893	607
Total other	<u>42,000</u>	<u>40,880</u>	<u>1,120</u>
Equipment:			
Salaries	2,500	2,553	(53)
Materials and supplies	800	719	81
Repairs and maintenance	2,500	2,424	76
Equipment rental	850	650	200
Gasoline and oil	3,800	4,202	(402)
Capital outlay	8,360	8,359	1
Miscellaneous	-	-	-
Total equipment	<u>18,810</u>	<u>18,907</u>	<u>(97)</u>
TOTAL EXPENDITURES	<u>415,797</u>	<u>404,252</u>	<u>11,545</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>28,786</u>	<u>49,075</u>	<u>20,289</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	11,000	11,654	654
Operating transfers out	(7,400)	(7,352)	48
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,600</u>	<u>4,302</u>	<u>702</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	<u>32,386</u>	<u>53,377</u>	<u>20,991</u>
FUND BALANCE - MARCH 1	167,338	167,338	-
FUND BALANCE - FEBRUARY 29	<u>\$ 199,724</u>	<u>\$ 220,715</u>	<u>\$ 20,991</u>

**VILLAGE OF PORT AUSTIN, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
FEBRUARY 29, 2004**

	MAJOR STREET & TRUNKLINE <u>FUND</u>	LOCAL STREET <u>FUND</u>	<u>TOTAL</u>
<u>ASSETS</u>			
Cash	\$ 115,684	\$ 153,025	\$ 268,709
TOTAL ASSETS	<u>\$ 115,684</u>	<u>\$ 153,025</u>	<u>\$ 268,709</u>
<u>LIABILITIES AND FUND EQUITY</u>			
LIABILITIES:			
Due to other funds	\$ 3,905	\$ 5,325	\$ 9,230
TOTAL LIABILITIES	<u>3,905</u>	<u>5,325</u>	<u>9,230</u>
FUND EQUITY:			
Fund balance	111,779	147,700	259,479
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 115,684</u>	<u>\$ 153,025</u>	<u>\$ 268,709</u>

**VILLAGE OF PORT AUSTIN, MICHIGAN
SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 29, 2004**

	MAJOR STREET & TRUNKLINE <u>FUND</u>	LOCAL STREET <u>FUND</u>	<u>TOTAL</u>
REVENUES:			
Taxes	\$ 41,348	\$ 39,310	\$ 80,658
Intergovernmental revenue	43,085	19,116	62,201
Miscellaneous	1,430	1,958	3,388
TOTAL REVENUES	<u>85,863</u>	<u>60,384</u>	<u>146,247</u>
EXPENDITURES:			
Streets	24,518	36,041	60,559
TOTAL EXPENDITURES	<u>24,518</u>	<u>36,041</u>	<u>60,559</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>61,345</u>	<u>24,343</u>	<u>85,688</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	150,000	10,102	160,102
Operating transfers out	(310,102)	(150,000)	(460,102)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(160,102)</u>	<u>(139,898)</u>	<u>(300,000)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(98,757)</u>	<u>(115,555)</u>	<u>(214,312)</u>
FUND BALANCE - MARCH 1	210,536	263,255	473,791
FUND BALANCE - FEBRUARY 29	<u>\$ 111,779</u>	<u>\$ 147,700</u>	<u>\$ 259,479</u>

**VILLAGE OF PORT AUSTIN, MICHIGAN
MAJOR STREET AND TRUNKLINE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Taxes	\$ 41,250	\$ 41,348	\$ 98
Intergovernmental revenue:			
State winter maintenance	900	931	31
Trunkline maintenance	1,700	1,747	47
Gas and weight tax	40,000	40,407	407
Miscellaneous	1,500	1,430	(70)
TOTAL REVENUES	<u>85,350</u>	<u>85,863</u>	<u>513</u>
EXPENDITURES:			
Routine maintenance	7,250	6,166	1,084
Traffic services	250	193	57
Snow and ice control	8,125	7,201	924
Trunkline sweeping and flushing	4,085	3,923	162
Trunkline snow and ice control	5,175	5,615	(440)
Administrative	1,420	1,420	-
TOTAL EXPENDITURES	<u>26,305</u>	<u>24,518</u>	<u>1,787</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>59,045</u>	<u>61,345</u>	<u>2,300</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	150,000	150,000	-
Operating transfers out	(310,000)	(310,102)	(102)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(160,000)</u>	<u>(160,102)</u>	<u>(102)</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(100,955)</u>	<u>(98,757)</u>	<u>2,198</u>
FUND BALANCE - MARCH 1	210,536	210,536	-
FUND BALANCE - FEBRUARY 29	<u>\$ 109,581</u>	<u>\$ 111,779</u>	<u>\$ 2,198</u>

**VILLAGE OF PORT AUSTIN, MICHIGAN
LOCAL STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED FEBRUARY 29, 2004**

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE- FAVORABLE (UNFAVORABLE)</u>
REVENUES:			
Taxes	\$ 39,200	\$ 39,310	\$ 110
Intergovernmental revenue:			
Gas and weight tax	18,000	19,116	1,116
Miscellaneous	2,000	1,958	(42)
TOTAL REVENUES	<u>59,200</u>	<u>60,384</u>	<u>1,184</u>
EXPENDITURES:			
Routine maintenance	20,875	18,929	1,946
Snow and ice control	14,525	15,698	(1,173)
Traffic services	50	44	6
Administrative	1,425	1,370	55
TOTAL EXPENDITURES	<u>36,875</u>	<u>36,041</u>	<u>834</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>22,325</u>	<u>24,343</u>	<u>2,018</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	10,000	10,102	102
Operating transfers out	(150,000)	(150,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(140,000)</u>	<u>(139,898)</u>	<u>102</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(117,675)</u>	<u>(115,555)</u>	<u>2,120</u>
FUND BALANCE - MARCH 1	263,255	263,255	-
FUND BALANCE - FEBRUARY 29	<u>\$ 145,580</u>	<u>\$ 147,700</u>	<u>\$ 2,120</u>

**VILLAGE OF PORT AUSTIN, MICHIGAN
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED FEBRUARY 29, 2004**

	GYMNASIUM <u>LOAN</u>	POLICE CAR <u>LOAN</u>	DDA STREETSCAPE <u>LOAN</u>	<u>TOTAL</u>
TOTAL REVENUES	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Principal	6,087	6,599	23,468	36,154
Interest	3,155	753	3,165	7,073
TOTAL EXPENDITURES	<u>9,242</u>	<u>7,352</u>	<u>26,633</u>	<u>43,227</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(9,242)</u>	<u>(7,352)</u>	<u>(26,633)</u>	<u>(43,227)</u>
OTHER FINANCING SOURCES:				
Operating transfers in	9,242	7,352	26,633	43,227
EXCESS OF REVENUES AND OTHER SOURCES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - MARCH 1	-	-	-	-
FUND BALANCE - FEBRUARY 29	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**VILLAGE OF PORT AUSTIN, MICHIGAN
TAX COLLECTION AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED FEBRUARY 29, 2004**

	BALANCE MARCH 1, <u>2003</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	BALANCE FEBRUARY 29, <u>2004</u>
<u>ASSETS</u>				
Cash in bank	\$ -	\$ 369,217	\$ 369,217	\$ -
<u>LIABILITIES</u>				
Due to other funds	\$ -	\$ 369,217	\$ 369,217	\$ -

**VILLAGE OF PORT AUSTIN, MICHIGAN
TAX COLLECTION AGENCY FUND
SCHEDULE OF ADDITIONS AND DEDUCTIONS
FOR THE YEAR ENDED FEBRUARY 29, 2004**

ADDITIONS:

Current tax collection	\$ 369,217
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TOTAL ADDITIONS

<u>369,217</u>

DEDUCTIONS:

General Fund	244,213
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Street Funds	28,107
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Downtown Development Authority	37,847
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Port Austin Sewer and Water Authority	
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Special Assessment	55,716
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Port Austin Township Treasurer	3,334
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TOTAL DEDUCTIONS

<u>369,217</u>

NET ADDITIONS OVER DEDUCTIONS

<u><u>\$ -</u></u>

VILLAGE OF PORT AUSTIN, MICHIGAN
SCHEDULE OF GENERAL FIXED ASSETS BY FUNCTION AND ACTIVITY
FEBRUARY 29, 2004

	<u>LAND</u>	<u>BUILDINGS</u>	<u>EQUIPMENT</u>	<u>TOTAL</u>
GOVERNMENT:				
Village Hall	\$ 1,602	\$ 165,696	\$ 18,493	\$ 185,791
Civic Center	900	24,325	-	25,225
Old Library	1,000	-	-	1,000
Gymnasium	-	75,200	-	75,200
PUBLIC SAFETY:				
Fire/D.P.W. Hall	1,000	86,929	-	87,929
Police department	-	2,499	78,265	80,764
DEPARTMENT OF PUBLIC WORKS	6,000	76,325	172,531	254,856
RECREATION	4,054	64,558	1,640	70,252
EQUIPMENT	-	-	12,448	12,448
LOCAL STREETS DRAINAGE	-	-	60,435	60,435
JOINT VENTURE - PORT AUSTIN FIRE DEPARTMENT	-	-	166,577	166,577
DDA	981,217	-	48,665	1,029,882
TOTAL GENERAL FIXED ASSETS	<u>\$ 995,773</u>	<u>\$ 495,532</u>	<u>\$ 559,054</u>	<u>\$ 2,050,359</u>

**VILLAGE OF PORT AUSTIN, MICHIGAN
STATEMENT OF GENERAL LONG-TERM DEBT
FEBRUARY 29, 2004**

**AMOUNT AVAILABLE AND TO BE PROVIDED
FOR PAYMENT OF GENERAL LONG-TERM DEBT**

GENERAL LONG-TERM INDEBTEDNESS:

Gymnasium, Police Car and Streetscape Loans -
Amount available in Debt Retirement Funds
Amount to be provided

\$ -
328,156

TOTAL AVAILABLE AND TO BE PROVIDED

\$ 328,156

GENERAL LONG-TERM DEBT PAYABLE

GENERAL LONG-TERM DEBT:

Gymnasium Loan - Port Austin State Bank
Police Car Loan - Ford Motor Credit Company
Streetscape Loan - Port Austin State Bank

\$ 49,098
6,965
272,093

TOTAL GENERAL LONG-TERM DEBT PAYABLE

\$ 328,156

VILLAGE OF PORT AUSTIN, MICHIGAN
SCHEDULE OF NOTES PAYABLE
FEBRUARY 29, 2004

GYMNASIUM LOAN:

FOR THE YEAR ENDED FEBRUARY 28,	PRINCIPAL AMOUNT PAYABLE EACH YEAR(1)	INTEREST		TOTAL
		RATE	AMOUNT	
2005	\$ 6,787	5%	\$ 2,455	\$ 9,242
2006	42,311	5%	2,116	44,427
	<u>\$ 49,098</u>		<u>\$ 4,571</u>	<u>\$ 53,669</u>

(1) Payable in annual installments of \$9,242 starting November 30, 2001 with a balloon payment of \$44,427 on November 30, 2005.

POLICE CAR LOAN:

FOR THE YEAR ENDED FEBRUARY 28,	PRINCIPAL AMOUNT PAYABLE EACH YEAR(2)	INTEREST		TOTAL
		RATE	AMOUNT	
2005	\$ 6,965	5.5%	\$ 388	\$ 7,353
	<u>\$ 6,965</u>		<u>\$ 388</u>	<u>\$ 7,353</u>

(2) Payable in annual installments of \$7,353 starting May 24, 2002 for 3 years.

STREETSCAPE LOAN:

FOR THE YEAR ENDED FEBRUARY 28,	PRINCIPAL AMOUNT PAYABLE EACH YEAR(3)	INTEREST		TOTAL
		RATE	AMOUNT	
2005	\$ 16,042	4%	\$ 10,592	\$ 26,634
2006	16,695	4%	9,938	26,633
2007	17,376	4%	9,258	26,634
2008	221,980	4%	7,175	229,155
	<u>\$ 272,093</u>		<u>\$ 36,963</u>	<u>\$ 309,056</u>

(3) Payable in monthly installments of \$2,219 starting January 13, 2003 with all payments going toward principal until funds are released from the checking account. Then payments of \$2,219 per month including interest at 4%. A balloon payment of \$209,180 is due on December 13, 2007.

**VILLAGE OF PORT AUSTIN, MICHIGAN
PENSION PLAN DATA
FEBRUARY 29, 2004**

Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability <u>(AAL)</u>	Unfunded (Overfunded) AAL <u>(UAAL)</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a % of Covered <u>Payroll</u>
12/31/93	\$ 96,586	\$ 100,075	\$ 3,489	97%	\$ 125,288	3%
12/31/94	\$ 119,292	\$ 123,124	\$ 3,832	97%	\$ 174,924	2%
12/31/95	\$ 147,505	\$ 140,471	\$ (7,034)	105%	\$ 170,455	0%
12/31/96	\$ 156,778	\$ 120,876	\$ (35,902)	130%	\$ 72,398	0%
12/31/97	\$ 150,061	\$ 119,559	\$ (30,502)	126%	\$ 43,817	0%
12/31/98	\$ 166,476	\$ 101,141	\$ (65,335)	165%	\$ 80,290	0%
12/31/99	\$ 187,409	\$ 156,022	\$ (31,387)	120%	\$ 127,059	0%
12/31/00	\$ 202,015	\$ 171,891	\$ (30,124)	118%	\$ 123,686	0%
12/31/01	\$ 210,523	\$ 180,232	\$ (30,291)	117%	\$ 139,943	0%